

June 17, 2020

TO: Mayor and Members of City Council

FROM: Patrick A. Duhaney, City Manager

SUBJECT: Report - Early Retirement Incentive Program (ERIP)

REFERENCE DOCUMENT #202000611

At the Budget and Finance Committee during its special session on April 29, 2020 as part of the COVID-19 Update presentation, the Administration was asked to provide a report on the Early Retirement Incentive Program (ERIP) as referenced for its possible inclusion in the Recommended FY 2021 Budget Update.

Objective

The City of Cincinnati's Recommended FY 2021 Budget Update includes a voluntary Early Retirement Incentive Program (ERIP) designed to reduce the City's workforce. It will be offered on a one-time basis to eligible employees. The purpose of the ERIP is to provide a fair, meaningful, and dignified vehicle for eligible employees to leave their careers as public servants. In addition to the ERIP, government and departmental restructuring may also be put into place as the Administration assembles the Recommended FY 2021 Budget Update in order to achieve desired workforce reduction levels. Therefore, the goals of the ERIP include:

- Long-term and permanent reduction in employee workforce
- Government restructuring
- Short-term budgetary savings

Current Retirement Requirements

Full-time city employees who participate in the Cincinnati Retirement System (CRS) are eligible to retire with a combination of years of service and age, as prescribed by the Cincinnati Municipal Code (CMC) and the Collaborative Settlement Agreement (CSA).¹ The current requirements for an unreduced Service Retirement Allowance are codified in CMC 203 and are as follows:

1. Groups C, E, F:

At least 30 years of service at any age; OR at least 5 years of service and at least age 60

2. Group G (Hired on/after January 1, 2010):

At least 30 years of service and at least age 62; OR at least 5 years of service and at least age 67

¹ *Sunyak et al. v. City of Cincinnati*, United States District Court for the Southern District of Ohio Case No. 11-CV-445.

Proposal

The Early Retirement Incentive Program will provide two (2) additional years of Membership Service credit, granted to full-time employees who have or will have at least 28 years of service (and who are also at least 62 years of age for Group G) or who have at least 5 years of service and are at least age 60 (and for Group G members who have at least 5 years of service credit and are at least age 67) by December 31, 2020.

Eligibility:

Only full-time, vested employees in the Cincinnati Retirement System will be eligible to participate. The Early Retirement Incentive Program will not be available to employees who participate in the Deferred Retirement Option Program (DROP), part-time employees, and re-hired retirees. The two additional years of Membership Service credit cannot be used to calculate an employee's eligibility to participate in the ERIP, does not change the employee's membership date or Group assignment, and cannot be used to determine whether a person has a vested right to a Service Retirement Allowance. The two additional years of Membership Service credit will be Membership Service for the purposes of calculating eligibility for health care benefits.

Terms:

- All eligible members who elect to participate in the ERIP must reach the eligibility requirements that apply to them on or before December 31, 2020. **There will be no exceptions.**
- All eligible members who elect to participate in the ERIP must retire on or before January 1, 2021, unless they receive a fully executed written waiver from the City Manager. This waiver will be limited only to employees in critical positions whose retirements need to be delayed maintaining continuity of operations. The waiver is at the sole discretion of the City Manager. The waiver permits these employees who are participating in the ERIP to delay retirement to no later than July 1, 2021.
- The service retirement allowance is limited to 90% of the member's Average Highest Compensation as provided in CMC 203 and will not change as a result of this retirement incentive program.
- Any previous service credits that are eligible for purchase or transfer (and eligible for service credit to the Cincinnati Retirement System) must be purchased in full and transferred before the ERIP eligible member retires or participation in the ERIP will become void unless the member is eligible for the ERIP without using that purchased or transferred credit and the ERIP eligible member no longer wants to use the purchased or transferred credit in the calculation of their Service Retirement Allowance.
- Participation in the ERIP is void if the ERIP eligible member dies prior to his or her retirement date.
- If an employee decides to retire from the City pursuant to the ERIP, they will not be eligible to apply for or otherwise seek reemployment with the City directly or indirectly, such as on a contract or consulting basis, or as an employee of a City contractor working on City business, or through a temporary employment agency working on city business, or otherwise for at least five years. The City Manager, in his sole discretion, may provide for a waiver of this ineligibility if the employee who retired pursuant to the ERIP is needed for necessary or critical functions of City Departments.
- Those vacated positions that result from this ERIP will be reviewed for elimination or downgrading, or an alternative position will be considered for elimination in order to maintain budgetary savings.

Timing:

Employees will have from July 1, 2020 to August 31, 2020 to make their irrevocable declaration for the ERIP. This two-month “window” will provide sufficient time for employees to consult the Cincinnati Retirement System office and/or others to consider their retirement benefit options and whether or not to elect the ERIP. Once signed by the employee, the ERIP declaration is irrevocable. Again, all employees taking advantage of the ERIP must retire on or after September 1, 2020 and no later than January 1, 2021, unless granted a waiver by the City Manager.

After August 31, 2020, the Administration will know which employees have elected the ERIP and will use the period from August 31, 2020 through November 1, 2020 to more closely evaluate the effects on City services (internally and to the public). The Administration will provide for the management and implementation of succession planning as a result of known employees who have elected the ERIP. It is expected that some restructuring of departments and divisions will be required to assure that an effective workforce is maintained, public service impact is minimized, and that anticipated savings are realized.

Estimated Eligible Employees

An estimated 499 employees fit the proposed ERIP parameters. The breakdown by employee salary division are as follows:

Salary Division	Number of Employees
Division 0 Unrepresented	14
CODE	170
Division 1- AFSCME	251
Division 3- Building Trades	1
Division 5-Executive	9
Division 8- Senior Management	48
Division 9- Council	1
Division 7- Law	5
Total	499

154 of the 499 employees eligible for the ERIP are funded from the General Fund.

Budgetary Impact

1. *Payroll Savings* – If all eligible employees retire and their positions are eliminated from an operating budget basis, the anticipated annual savings to City payroll (all funds) will be approximately \$49 million. Approximately \$16.6 million of savings will occur in the General Fund which includes both the General Fund 050 and the Cincinnati Health District Fund 416, which is a sub-fund of the General Fund. Those savings figures include realized salary and employee benefits (retirement contributions and medical insurance).

City of Cincinnati
Early Retirement Incentive Program
Count and Total Budget By Fund

	Fund	Count	Salary Total	Fringes	Total Budget
General Fund	050	154	\$ 10,920,714	\$ 4,198,174	\$ 15,118,888
Water Works	101	85	6,009,972	2,313,865	8,323,837
Parking	102	2	85,021	43,899	128,920
Aviation	104	6	435,254	165,392	600,646
Golf	105	1	78,508	28,681	107,189
Stormwater	107	11	703,654	285,583	989,237
Fleet Services	202	12	846,785	326,349	1,173,134
Real Estate	209	1	103,078	33,276	136,354
Safety	212	1	87,787	30,416	118,203
Street Construction	301	24	1,271,682	573,805	1,845,487
Infrastructure	302	25	1,792,141	685,130	2,477,271
Parking Meters	303	3	214,314	82,077	296,391
CDBG	304	1	87,736	30,407	118,143
MV Licences	306	4	225,682	98,203	323,885
Recreation Activities	323	1	71,846	27,435	99,281
Krohn	332	1	85,180	29,929	115,109
Public Health	350	2	116,752	49,833	166,585
Home Health Services	353	3	173,469	74,439	247,908
WIC Grants	391	9	623,939	242,677	866,616
Health Services	395	14	1,055,615	393,400	1,449,015
Food Service Licenses	412	1	62,070	25,607	87,677
Immunization	415	1	53,425	23,990	77,415
Health Operations*	416	21	1,602,439	593,656	2,196,095
PEAP	420	1	88,886	30,622	119,508
CAGIS	449	2	211,240	67,502	278,742
CLEAR	457	2	171,641	60,097	231,738
MSD	701	104	7,607,192	2,878,545	10,485,737
ETS	702	2	121,251	50,674	171,925
Retirement	749	2	211,173	67,489	278,662
Income Tax Transit	759	1	100,075	32,714	132,789
Forestry	792	2	139,858	54,153	194,011
Total		499	\$ 35,358,379	\$ 13,598,017	\$ 48,956,396

*Fund 416 is a sub-fund of the General Fund

2. *Lump Sum Payouts* – There will also be a one-time expense to the City for "lump sum" benefits that result from the pay out of accrued leave balances. The anticipated one-time cost to the City for "lump sum" payouts will be up to approximately \$10 million (with approximately up to \$3.2 million of additional costs occurring in the General Fund for FY 2021).

3. *Retirement System* – the City may incur additional costs to be paid into the pension trust and health care trust, but these costs will be negotiated through the CSA and would not be paid prior to FY 2022.

Factoring in one-time lump sum payments and 100% position elimination, the Recommended FY 2021 Budget Update savings is \$26.8 million all funds, and \$9.2 million in the General Fund assuming 100% participation and an average ERIP retirement date of November 1, 2020.

It is unlikely that 100% of eligible employees will take advantage of this initiative, nor it is likely that the City will realize 100% cost savings from eliminating these positions or alternative positions. If 50% of the ERIP positions are eliminated and 50% of the ERIP positions are filled, the **Recommended FY 2021 Budget Update savings** is \$8.4 million across all funds, and \$3.5 million in the General Fund assuming 100% participation and an average ERIP retirement date of November 1, 2020.

Summary

The necessary ordinance has been submitted as part of the budget ordinances to approve the ERIP. If passed, the Administration will pursue implementation of this Early Retirement Incentive Program. After the ERIP declaration period is closed, I will provide a report on the final costs of the program.